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Introduction

Despite its small population, 2.46 million, and its small area, 19,653 square miles, Costa Rica offers significant export and investment opportunities. In 1984, U.S. exports to Cost Rica rose $39 million from 1983 to $417.6 million. Also, U.S. imports from Costa Rica rose $87 million to $539.2 million. Product categories offering the best potential for export sales to Costa Rica include: metal working equipment and machinery; food processing and packaging equipment; medical instruments, equipment and supplies; and agricultural machinery and equipment.

Costa Rica's Gross Domestic Product (GDP) grew by 5 percent to 6.6 percent in 1984. This follows a slowed Costa Rican economy in the early 1980's when the country experienced negative growth in GDP. The slow growth was caused in part by poorly structured external borrowing in the period 1978-1981, a sharp decrease in both the terms of trade and the level of trade, and increasingly larger public sector deficits. In an effort to reverse the serious deterioration in the balance of payments, the colon was devalued and inflation rose dramatically.

The Costa Rican economy improved significantly during 1984 and early 1985. Along with the growth in GDP, inflation has been lowered dramatically. Costa Rica's best option for continued economic development lies in expansion in the range and volume of exports.

Traditionally, Costa Rica has been and remains an agricultural country; most of its production and exports are agricultural commodities of which coffee and bananas are paramount. Recently, though, development of the local industrial base has rivaled agriculture in terms of production, if not in export earnings and employment.

Costa Rica is extremely receptive to foreign investment. A number of subsidiaries of U.S. companies have operations in Costa Rica. The United States is Costa Rica's largest trading partner. This results from geographical proximity, friendly political relations, excellent communication and transportation facilities, a widespread familiarity with American products, and the reputation for quality which U.S. products enjoy.

Best Markets for U.S. Exporters

Some of the most promising prospects for export to Costa Rica are listed below. U.S. sales prospects in these categories should remain good as long as equipment remains generally price-competitive, delivery schedules are met, and financing terms match or are similar to those of foreign competition.

Metalworking Equipment and Machinery

Imports in this target industry from the United States show an increase of 66 percent from 1982 to 1983, whereas total imports show an increase of 73 percent for the same period. According to ASOMETAL, the Association of Metal Fabricators, the number of members has increased from 74 in 1983 to 108 in 1984, encouraged by the possibilities offered under the CBI. The estimated gross value of this industry's production in 1983 was approximately $175.0 million. Expansion of this sector is virtually assured during the period 1984 - 1988, and excellent opportunities for U.S. suppliers and producers of metalworking equipment and machinery will arise during that period. It is expected that during the next 5 years, private expenditures may approximate $50 million. This industry employs in Costa Rica approximately 7,100 persons, earning over $6 million in salaries, and having an investment close to $75 million. The United States has historically dominated this industry. We believe that this trend will continue during the next 5 years, given the advantage of proximity of the United States, as well as the local industry's long experience with and preference for American equipment and machinery.

Food Processing and Packaging Equipment

The food processing and packaging industry is one of the most important sectors in Costa Rica. The estimated gross value of this industry in 1983 was approximately $350 million. This target industry employs 42,800 persons earning well over $20 million per year in salaries, and has an investment surpassing $250 million.

The Costa Rican Government is promoting exports under the Caribbean Basin Initiative (CBI) frame-work, and this industry is getting all the benefits from these incentives, mainly in duty-free import of machinery and equipment, plus income-tax exemptions. Government agricultural programs are seeking to stimulate the development of the agribusiness industry with considerable assistance from the U.S. Agency for International Development and the InterAmerican Development Bank. A rapid rate of market growth in this industry will depend on the availability of substantially greater volumes of local sourcing of food. While new projects and joint ventures are foreseen within the next 5 years, existing firms will undertake to replace portions of their equipment and to acquire additional machinery for expansion and for new product lines, such as cashews, shark, and bananas (liquor, marmelade and flour).

There are no significant barriers to market access for U.S. suppliers. Price differences between U.S., European and Japanese products are not as decisive as they may appear, considering the quality of U.S. products and the possibility of rapid service. Additionally, reconditioned equipment always has appealed to small firms operating under restricted budgets.

Medical Instruments, Equipment and Supplies

The market for health equipment in Costa Rica should improve in the next 5 years, as the Costa Rican Social Security Institute (CCSS - Caja Costarricense de Seguro Social) begins to replace old equipment in hospitals and clinics, and to acquire more sophisticated devices and highly specialized medical apparatus.

Medical and hospital care is already considered to be among the very best in Latin America. Many of Costa Rica's medical doctors and laboratory technicians were trained in the United States. The CCSS is the country's principal provider of medical services. In 1968, only 8 percent of the population was covered under the program, but by 1983, it had increased to 90 percent.

CCSS public hospitals are financed through compulsory employer-employee social security contributions, local taxes and funds obtained from the weekly national lottery. Social Security contributions amounted to $70 million in 1983; in the 5 year period 1984–1988, it is estimated that approximately $400 million will be collected from this source. International philanthropic organizations, CARE and the United Nations also contribute to this program.

There were 62 hospitals and medical care institutions in Costa Rica in 1973. By 1983, this number had increased to 72, with a total of 14,500 beds. The national rate of hospital beds per one thousand persons was 7 in 1983. During the next 5 years, excellent opportunities exist in Costa Rica for U.S. suppliers and producers of medical and hospital equipment. During this period, public and private expenditures for new and improved hospital equipment should approximate $35 million. Private hospitals were responsible for only 7.2 percent of the total in-patient medical service in 1983.

The U.S. share of this market increased from 68 percent in 1982 to 72 percent in 1983. It is expected that this trend will continue during the next 5 years. The ability to make prompt delivery of reliable equipment and spare parts, and to provide rapid and effective after-sales servicing remains a prime consideration in the Social Security Institution's choice of suppliers. Public hospital equipment, apparatus and supplies are purchased through private and public tender. It is estimated that about 80 percent of hospital equipment currently in use was produced in the United States.

Agricultural Equipment and Machinery

Imports of this industry show an increase in 1983 compared with 1981, from 28 to 33 percent. Such growth is likely to continue over the next 5 years. Exports of vegetables and agro-industrial products have increased during 1984 under the CBI framework. Various agricultural projects are underway or will start operating in 1985. In addition, we expect that the Costa Rican farmers tendency to mechanize will continue, resulting in an increase in the demand for agricultural machinery and equipment.

There is little local production within this category. Although the market is becoming more crowded with competitors, there is still a preference for U.S.-origin equipment. The United Kingdom is the closest competitor of the United States, with no variation from 1981 to 1983 of 16 percent of total imports.

Financing is an important factor for sales in this category and export-oriented agricultural projects should qualify for local export financing.

Top 30 U.S. Exports to Costa Rica in 1983 and 1984
(in thousands of dollars; f.a.s. value)

Description	*1983*	*1984*
Paper and paperboard	30,989	33,188
Polymerization and copolymeration products	20,966	22,620
Wheat and meslin	19,873	18,305
Under garments, knitted or crocheted	16,955	17,130
Disinfectants, insecticides, fungicides, weed-killers	18,111	15,676
Special transactions and commodities	5,560	12,537
Outer garments, women's, girls' and infants'	12,395	12,521
Electrical apparatus for making and protecting circuits	10,873	11,031
Under garments of textile fabrics	8,160	10,224
Outer garments, men's and boys'	6,625	10,075
Parts and accessories, n.e.c. of motor vehicles	5,754	9,604
Fertilizers, manufactured	8,270	8,966
Petroleum products, refined	8,942	8,417
Fabrics, woven, of man-made fibers	4,479	8,202
Miscellaneous chemical products, n.e.s.	6,539	7,265
Textile and leather machinery	4,903	6,315
Internal combustion piston engines	4,406	6,109
Textile yarn	3,655	5,714
Special textile fabrics	4,101	5,548
Feeding stuff for animals	4,582	5,041
Maize (corn), unmilled	6,231	4,921
Synthetic fibres suitable for spinning	6,054	4,758
Condensation, polycondensation and polyaddition products	6,049	4,757
Agricultural machinery (excluding tractors)	1,790	4,717
Other inorganic chemicals; compounds of precious metals	2,695	4,487
Telecommunications equipment n.e.s.	3,797	4,407
Medical and pharmaceutical products	4,227	4,125
Other specialized industrial machinery and equipment	3,441	4,054
Automatic data processing machines	836	3,986
Rotating electric plants and parts	845	3,797
Total	242,102	278,495
TOTAL, all items exported to Costa Rica from United States	378,535	417,641

SOURCE: U.S. Department of Commerce (SITC definitions)

Industry Trends

Transportation

Railways.—Two railroads connect the main seaports with San José, the capital and largest city. One is the Northern Railway Company that runs from Puerto Limon to San José, and the other is the Ferrocarril Electrico al Pacifico, which connects San José with Puntarenas. Costa Rica has over 600 miles of railway.

Maritime.—There is good air service between Costa Rica and the United States. Several airlines provide regular flights with passenger and cargo service. The Juan Santamaria International Airport is about 11 miles from the center of San José and is used primarily for international flights. Shipping lines provide regular transport services to major U.S., European and Far Eastern ports. Among them are Sea-Land, Coordinated Caribbean Transport (CCT), Hapag Lloyd, Gran Colombiana, Nordana Line, Royal Netherlands Shipping Co., Gulf Shipping and United States Line.

Highways.—Costa Rica has a modern, well-maintained highway and road system that covers virtually all of the national territory. The primary means of rural and urban transportation is by bus. Though domestic assembly of buses exists, there is a good market for used buses. Purchases generally involve 3-to-5-year-old buses. Local purchasers expect to get 15–20 years of additional service from these vehicles.

Agriculture

The Costa Rican economy remains heavily dependent upon agriculture, despite the sector's gradual decline in relative importance in the economy. Agriculture contributes about 20–25 percent to the GDP. Principal agricultural commodities include coffee, bananas, sugar, cocoa, and beef and livestock. Costa Rica's future economic development will rely heavily on this sector. Costa Rica's soils are especially rich, and prime land is available at a reasonable cost. Additionally, a highly developed agricultural training and research system exists in Costa Rica. There are more than 2,000 agricultural engineers and agronomists and over 12,000 graduates from agricultural technical schools.

Communications

The National Assembly, in October of 1963, approved Law No. 3226 whereby responsibility for Costa Rica's telecommunications systems was given to the Instituto Costaricense de Electridad (ICE), a semi-autonomous government agency. By 1965, all the existing telephone companies in the country were owned by ICE.

Under the authority of ICE, a reliable state-of-the-art telecommunications system has been developed. The system provides direct dial, touch telephone contact with 65 countries throughout the world and excellent telex, telegram, facsimile and data transmission services at reasonable cost.

Energy

ICE (Costa Rica Electric Institute) was created by government statute in 1941 as an independent government agency, to be responsible for the unification, development, and operation of electric utility service throughout Costa Rica, with initial emphasis on developing Costa Rica's vast hydroelectric power resources. Although at present only about 7 percent of the country's hydroelectric power potential is currently being used, Costa Rica is self-sufficient in electricity and exports electricity to other Central American countries.

Sales and Distribution Channels

Commercial Centers

San Jose is the political, financial and commercial center of Costa Rica. Nearly all firms engaged in international trade are located in San Jose. Some large firms have branches in the provincial centers.

Marketing and Distribution

In Costa Rica, no sharp line is drawn in merchandising and many firms combine activities which would be specialized in the United States. A single firm frequently operates as an importer, wholesaler, retailer, sales agent, and exporter dealing in a wide variety of unrelated items.

Public and commercial warehousing is sometimes inadequate, but storage has improved in the ports which have been enlarged in recent years. Congestion and delays in clearing goods through customs can occur.

Free Zones

Costa Rica has been using the concept of free zones to attract export manufacturers to the coastal cities of Limon and Puntarenas since the late 1970's. With the idea of making a special effort to create jobs in these less-developed regions of the country, the liberal free zone privileges have been reserved for Limon and Puntarenas to the present exclusion of other areas of the country, including San Jose, Cartago, and Alajuela which have the benefits of improved industrial infrastructure and better living conditions of a major metropolitan area.

It has taken 5 years and 140 million colones (about $3 million) to establish the Free Zone Corporation (headquartered in San Jose), assemble the necessary land in Moin (near Limon) and Barranca

(near Puntarenas), and construct infrastructure and three light factory buildings totalling about 30,000 square feet at Moin. Financing in the amount of $3 million for development of Barranca has been obtained from the Bank of China in Taiwan and construction will begin shortly. See below, "Incentives," for further information.

Caribbean Basin Initiative (CBI)

The U.S. Government designated Costa Rica as a beneficiary country of the CBI in December of 1983, and since January of 1984, the country is enjoying the privileges of the program. The centerpiece of the CBI is an innovative one-way free trade area providing duty-free access to the U.S. market for 12 years. Virtually all products exported from the Caribbean Basin countries are eligible, except textiles and apparel, canned tuna, petroleum and petroleum products, footwear and certain leather products.

The intent of the CBI is to improve the economic conditions of member countries by stimulating productive private enterprise activities which will offer employment to the area's un- and under-employed. The CBI also hopes to promote social welfare and political stability.

Costa Rica is in an excellent position to take full advantage of these privileges. The Ministry of Exports and Investment (MINEX) was created in April 1983 and is designed to promote export-oriented foreign and domestic investment in Costa Rica from within the executive branch. The Export and Investment Promotion Center (CENPRO) is a government office responsible for promoting all export activities and for assisting exporters in complying with the requirements of local and foreign governments. Also, a private organization, the Costa Rican Coalition of Development Initiatives (CINDE), is charged with disseminating business information about Costa Rica and channeling funds into carefully evaluated, export-oriented investment projects.

Advertising

Most international exporters and agencies funnel their advertising through local or international agencies which use affiliates in the region. Many large business firms in Central America have their own advertising and marketing departments.

Major media used are television, radio, and newspapers. Newspaper and television coverage are concentrated in the cities, but radio is now reaching remote rural areas, especially since the advent of comparatively inexpensive portable radios. Motion pictures continue to attract large numbers. Advertising film clips are used extensively before each performance. Outdoor displays are used to some extent, as are posters, loudspeakers, and some direct mail. Trade publications are not dominant enough to warrant a significant share of advertising expenditures.

Newspapers.—The major morning newspapers are La Nacion with circulations of 160,000 and La Republica with 70,000 respectively. La Prensa Libre, an afternoon newspaper, has a circulation of 35,000. The only English language paper is the Tico Times, (published weekly).

Television.—Costa Rica has six color television stations. Most widely watched are Channels 6, 7 and 2. In September, 1978, Channel 13 began broadcasting educational television in color. Cable television, on a subscription basis, started in 1979, but its legal status vis-a-vis the United States is under dispute at present. Television stations are privately owned. An estimated 81 percent of all homes have sets.

Radio.—Costa Rica has 49 medium wave, 8 short wave and 45 FM radio stations. Major stations with nationwide coverage include Radio Monumental, Radio Colombia and Radio Reloj. An estimated 275,000 homes have radios. There is an average of 1 million weekly listeners.

Agents, Distributors and Representatives

Agents, distributors and representatives in Costa Rica are covered by Decree No. 4684 published in the Official Gazette, December 4, 1970. Some salient points of the legislation include:

1. If the distribution or representation contract terminates due to causes beyond the will of the representative, the principal firm shall indemnify him or her with the equivalent of 2 months of the gross profits for each year or fraction, amounting to not less than 6 months of service, up to a maximum of 8 years.

2. Whenever the cancellation of a representation, agency or distribution agreement takes place, the firm represented, shall, in addition, purchase the stock of its products from its representative or distributor at cost at the warehouse.

3. When a contract is for a period of time, the requirement of item 1 above will be applicable at its termination, if it is not extended for reasons beyond the will of the representative.

4. Due causes for the termination of a trade representation without responsibility for the principal firm are:

a. Offenses against the property and the good name of the principal firm;

b. Ineptitude or negligence on the part of the representative as declared by one of the civil judges in the jurisdiction of the representative after legal proceedings, as well as a substantial decline or inactivity in sales during a long period for causes imputable to the representative. The establishment of official quotas or restrictions on the importation of the article or service shall give rise to the presumption of inexistence of the charge;

c. The violation by the representative of his duty of secrecy and fidelity to his principal firm because of the revelation of facts, knowledge or

techniques related to the organization, products and operation of the principal firm, acquired during his trade relations with the latter; and

d. Any other "grave fault" of the representative concerning his duties and obligations under the contract or of a legal nature against his principal.

5. The rights of the representative shall be non-renounceable by virtue of this law.

Investment in Costa Rica

Licensing

Licensing is not widespread in Costa Rica. Generally, a foreign company will export to Costa Rica or set up a manufacturing plant in the country.

Patent and Trademark Protection

Patents, trademarks, copyrights and trade names receive protection in Costa Rica. Patents rights are extended by Assembly Act No. 6867 of June 1983, which allows protection for any invention, including manufacturing or procedures, and for any improvement on products or procedures already patend. Patents are granted for 12 years, or in the case of applicants with foreign patents, for the period remaining in the existing patent, up to 12 years. However, for medicines, drinks, food substances, veterinary preparations, herbicides, insecticides, etc., the duration of the patent is 1 year.

Trademark protection is obtained through several pieces of legislation, including the mercantile and civil codes, a Central American treaty, and an act of the legislative assembly. Severe sanctions for infractions exist in the penal code. The trademark can be registered for 15 years, and is renewable by the holder or his heirs. The same provisions apply to trade names, with added protection established by judicial precedents protecting well-known brands or trade names even though the brand or trade name had not been previously registered in Costa Rica.

Copyrights are protected by Costa Rican adherence to international treaties and by Act No. 6683 of 1982, which protects authors from moral and financial damages from unauthorized publications, duplications, or reproductions of books, paintings, recording, films, music, etc. Mercantile, civil, and criminal law can also be applied to copyright disputes. The protection is for the life of the author plus 50 years (heirs inherit the copyright).

Patents, trademarks and trade names, collectively known in Costa Rica as "industrial property", are registered with the Registro de Marcas y Patentes, an agency of the Ministry of Justice. Copyrights, known as "Intellectual Property", may be registered with the National Library, an agency of the Ministry of Culture.

Additionally, the Radio and Television Act allows for the Ministry of Public Works and Transports to monitor transmissions, issue broadcasting permits, etc, and protects the rights of broadcasters from either interference or unauthorized retransmissions.

Incentives for Investment

Costa Rica is firmly committed to industrialization and offers generous incentives to investors prepared to establish or expand locally. The actual incentives are designed to promote investment in the export sector. Those incentives are concentrated in the 1972 Export Promotion Law, the 1981 Export Processing Zone Law and the 1984 Financial Stabilization Law.

The 1972 Export Promotion Law grants such incentives as duty-free treatment of imports of machinery, equipment and raw materials, provided that the product exported has a minimum of 35 percent local value added. Benefits also include Tax Credit Certificates (CAT) and Export Increment Certificates (CIEX). The CAT's are issued by the Central Bank in amounts up to 15 percent of the F.O.B. value of the export sale. They are effective for 1 year, beginning 1 year after the date of issue. The CIEX's are also bearer documents issued by the Central Bank in amounts up to 10 percent of the increase in exports compared with the previous year and are immediately negotiable. The Export Promotion Law, however, specifies that only those companies with at least 60 percent Costa Rican ownership and foreigners who have been in possession of a Residence Card for over 5 years are eligible to receive the benefits from the law. This is a deviation from Costa Rica's long-standing policy of equal treatment of foreign investment. These limitations, though, may be waived with the approval of the Ministry of Finance.

The Export Processing Law established free zone industrial parks in Santa Rosa, Puntarenas on the west coast and Moin, Limon on the east coast. A 1984 revision allows the establishment of free zones in other parts of the country once the Santa Rosa and Moin sites are operational and provided it can be shown technically that another site is required. The free zones administration expects to have plants operating within a few months and plans to establish a free zone in the Cartago Industrial Park on the central plateau.

All firms operating under the free zone legislation benefit from the following:

— 100 percent exemption from import duties on raw materials, processed or semi-processed products, parts and components;

— 100 percent exemption from all export taxes associated with the export or re-export of products. The same exemption is granted for the re-export of equipment and machinery used in the productive process;

— 100 percent exemption from all taxes on profits for a period of 6 years from the beginning of operations, 50 percent exemption for the following 4 years.

The major provisions of the Financial Stabilization Law affecting export incentives are:
— a 100 percent income tax deduction on profits from non-traditional exports to "third" countries (countries that are not members of The Central American Common Market)
— an authorization of export contracts which will specify:
  — reduced port charges
  — simplification of procedures
  — bank credits at preferential rates
  — tax reductions
  — accelerated depreciation
  — tax certificates (CAT's and CIEX's)
— the creation of the National Investment Council to approve export contracts, coordinate with other government agencies the benefits to be conceded under each contract, and to approve CAT's and CIEX's.
— a 50 percent tax credit on the purchase of stocks of firms that produce entirely for export.
— the duty-free import of inputs for production of non-traditional products to be exported to "third" countries.
— the authorization of duty-free temporary entry for inputs used in assembly operations, samples and other inputs. This provision was formerly a decree, but now it is law.

Banking and Finance

Since 1948, demand deposits (checking and savings accounts) from the public, have been restricted to state-owned commercial banks.

The banking system consists of the following types of institutions:
1. The Central Bank of Costa Rica (generally equivalent to the Federal Reserve Bank of the United States).
2. State-owned or Public banks.
3. Commercial private banks.

With the exception of the above-mentioned deposit restriction, both public and private banks can perform all other commercial banking operations.

Several U.S. banks have established corporate entities in Costa Rica, operating as financial representatives. They include Bank of America and Citibank.

In recent years, credit and capital facilities in Costa Rica have become more sophisticated due largely to the development of industry, the spectacular growth in regional trade prompted by exports and the appearance of a number of "financieras" (private financial intermediaries) to provide medium- and long-term funds to facilitate equity placement.

International sources of medium- to long-term financing include the Inter-American Development Bank and the World Bank.

Labor

Skilled and unskilled labor and lower and middle management personnel are available, though scarce, in Costa Rica. Many firms do their own in-plant training. Skilled workers and mid-level management, if not recruited through informal channels, are attracted through newspaper advertisement.

Unskilled personnel are easy to find, and firms report that local workers are quick to respond to training.

Unions are not strong. They are remarkably apolitical by Latin-American standards, and their main goals are higher wages, job security, and oportunities for training and promotions.

Although labor is free to organize, labor unions are not common, particularly in the industrial sector. The vast majority of unionized workers are found in the public sector and plantation agriculture. Prospective investors also should be aware of a labor concept unique to Costa Rica known as "Solidarismo." Based on the tenet of social christianity, this 33-year-old movement stresses labor-management cooperation versus confrontation and seeks to avoid labor strife through several mechanisms including capital ownership by the workers.

The recommended minimum wage is established periodically by the National Wage Council, comprised of representatives from the Government, management and labor.

Wage levels vary by occupation. The workday is 8 hours. Generally speaking, unskilled wages are about $4 per day.

The Labor Code limits the number of foreign employees in a company; 90 percent of the total must be Costa Rican employees. These totals are variable by 10 percent under certain conditions during a 5-year period, qualified by the Ministry of Labor. Similarly, an employer legally cannot pay less than 85 percent of total annual salaries to Costa Ricans in his employ. Additionally, foreigners cannot occupy jobs for which Costa Rican labor is available.

Taxation

Corporate

The taxable profit of locally established business enterprises, whether organized as local corporations or branches of foreign corporations, is determined by the application of generally accepted accounting principles.

Corporate tax rates range from 10 percent to 50 percent of earnings. Deductible corporate expenses are: expenses essential to produce income, interest payments, losses not covered by insurance, and substantiated bad debts. A November 1984 revision of corporate taxes established the following tax rates

0- 100,000 colones	10 percent
100,001- 250,000 colones	20 percent
250,001- 500,000 colones	25 percent
500,001- 750,000 colones	35 percent
750,001-1,000,000 colones	40 percent
1,000,000 +	50 percent

Personal

Costa Rica has a progressive income tax schedule which ranges from 5 percent per year on income under 100,000 colones to 50 percent per year on income over 3,000,000 colones.

Sales and Consumption Taxes

A sales tax of 10 percent is imposed on all imported merchandise. A selective consumption tax is imposed on non-essential goods specified by the Government. The tax on such goods ranges from 12 percent up to 75 percent. Other taxes are: the Specific tax on imports, which ranges from $0.50 up to $12.00 per each gross kilo; the Ad-Valorem tax on imports, which ranges from 5 percent up to 50 percent of C.I.F. value; an Economic Stabilization tax of 30 percent; and the "Sobre tasa" fee which ranges from 2 percent up to 100 percent of C.I.F. value.

Import Procedures

The Uniform Central American Customs Code (CAUCA) establishes the basic provision for common customs legislation in Central America. RECAUCA, the regulations to the Central American Uniform Customs Code, outlines the procedures for implementing the CAUCA. All Central American Common Market (CACM) countries have adopted the Uniform Customs Code and its regulations.

Central American Common Market members agreed to adopt the Customs Cooperation Council Nomenclature (CCCN), formerly known as the Brussels Tariff Nomenclature. Costa Rica is expected to adopt CCCN after the Central American Customs Code is harmonized with the new tariff.

Tariff Structure

Both the CACM tariff schedules and the non-harmonized national schedule are two-column systems, most often applying both specific and ad valorem duties to a single tariff item. A common Central American tariff terminology is used, Nomenclatura Arancelaria Uniforme Centroamericana (NAUCA), similar but not identical to the United Nations Standard International Trade Classification (SITC).

Duties under the NAUCA range from free or minimal on various essentials such as certain food items, medicines, capital equipment, and agricultural machinery, to 50 cents per gross kilogram and up, plus an ad valorem duty on non-essential imports and on imports which compete with industries of the Central America region.

Basis of Duty Assessment

Uniform specific duties are expressed in Central American pesos (written CA$) per unit of gross weight or measure. Gross weight of the merchandise includes the containers, receptacles, wrapping, bales, packing of any kind. Ad valorem duties are levied on the C.I.F. value, port of entry. The Central American peso is an accounting unit rather than an actual currency and is equal to the U.S. dollar.

The metric system of weights and measures is used in the CACM.

Customs Surcharges

A 1968 protocol sets forth emergency measures to improve relative balance of payments positions of the CACM-member countries, primarily through the imposition of a surcharge of 30 percent on import duties. The surcharge is levied on nearly all CACM imports, including those not covered by the uniform tariff. The surcharge is not levied against certain kinds of livestock, food, fertilizers, petroleum, edible oils, pharmaceuticals, and capital goods for use in agriculture or by exporting industries.

Pro-Forma Invoices

In Costa Rica, local importers are required to present pro-forma invoices along with a completed Central Bank form T.I.137 to the Central Bank to obtain dollars (or other foreign currency) for payment of import bills. Only one copy of the invoice is required and it can be any commonly used commercial invoice with "PROFORMA" written, printed, or stamped thereon. Confirmation of an order, by letter, telex, or telegram may be substituted for the pro-forma invoice.

Commercial Invoices

Commercial invoices in Spanish are required in triplicate on every shipment. No legalization is required.

Unless otherwise noted above, the commercial invoice is to be prepared in Spanish and should contain: (1) name, type of business and address of the exporter; (2) place and date of issuance of the document; (3) name, type of business and address of the consignee; (4) description of markings plus kinds and quantity of containers; (5) detailed description of the contents of each container preferably as classified under NAUCA or SITC systems; (6) commercial references such as codes and serial numbers used by the exporter; (7) weight and measurement details; F.O.B. and C.I.F. values of the merchandise with the list of expenses; (8) country of

origin of the merchandise; and (9) signature of the exporter or his representative on all copies of the invoice.

The shipper's sworn statement must appear in Spanish at the bottom of the invoice:

"El infrascrito... declara y jura ser... de la casa de comercio... de esta ciudad, calle..., que son ciertos los precios y demas datos consignados en la presente factura, haciendose solidariamente responsable con la casa destinataria por cualquier ilegalidad o inexactitud que por ulteriores investigaciones pudiera constatarse en los datos anotados. (Date and signature. The date on the invoice and on this oath must be the same.)

The English translation follows:

"The undersigned (shipper's name) declares and swears that he (she) is (title) of (name of the business firm) of this city, street... No... that the prices and other data given on this invoice are correct, that he (she) is jointly responsible along with the consignee firm for any illegality or error which by later investigation may be discovered in the data given."

Penalties exist for the omission of one or more of the items mentioned above (see Section "Fines and Penalties" below).

Bills of Lading and Waybills

For all shipments, three copies of the ocean or air waybill ("to order" bills allowed) are required. Legalization is not necessary.

The Customs Code of the Central American Common Market directs that the bill of lading include: (1) name of conveyance, (2) name and business of the shipper and consignee, (3) the loading and off-loading port, (4) kind and quantity of containers, (5) common description of contents, (6) gross weight in kilograms, (7) details concerning contracted freight charges, (8) place and date of insurance of the bill, (9) signature of the carrier, and (10) marks and numbers. The waybill should include information as set forth in items 1, 2, 5, 6, 7, 8, 9 and 10 above along with a notation as to where the shipment is to be delivered, and the payment terms.

Air Cargo Shipments

Costa Rica requires five commercial invoices.

Consular Fees

Consular legalization of commercial invoices is not required. However, the following fees are applied:

Legalization of power of attorney	U.S. $80
Certificate of analysis	U.S. $80
Health certificate	U.S. $80
Legalization of County Clerk's Signature	(each) U.S. $80

Labeling and Marking Requirements

There are no special requirements in Costa Rica in regard to the marking of place of origin on goods or the labeling of general merchandise. Regulations governing the labeling of pharmaceuticals and foodstuffs are covered in this publication under Sanitary Regulations. In general, fertilizers and insecticides of all types must be labeled clearly in Spanish to show date of manufacture, chemical formula, date of exportation, precautions in handling and use, and antidotes in case of poisoning.

Packages may be marked with either stencil or brush. Weights need not be shown on packages, but each must bear a mark and be numbered. When weight and/or volume is described on the labelling of the item for retail purposes, only the metric system may be used.

Special Customs Provisions

Entry, Transit, and Reexports.—Under CAUCA, storage charges are incurred if goods are not cleared within 12 calendar days from the date of entry into the Customs house of destination or if the merchandise is not withdrawn from Customs within 5 calendar days following liquidation.

For clearing all commercial shipments, other than parcel post, an authorized Customs broker is required. All merchandise, including that which is legally exempt from payment of duties, shall be requested from Customs by an importer's declaration (poliza).

A standard Customs form, different from an importer's declaration, is used in clearing merchandise originating within the CACM. All import declarations shall be presented together with the bill of lading, commercial invoice, and other documents required by law, in original form and with the number of copies indicated elsewhere in this report. If one of the above-mentioned documents is missing, the Customs officials may authorize clearance of the goods under a cash deposit, granting the interested party 69 days to present the missing documents.

Merchandise deposited at Customs will be considered abandoned when request for clearance of merchandise is not made within 60 days after date of receipt by the Customs house of when merchandise is not withdrawn within 30 days from the cancellation of the importer's declaration.

Earlier clearance may be ordered by the authorities when the merchandise comprises explosive, inflammable, or corrosive materials; baggage; household furnishings; plants or live animals or other merchandise which, in the opinion of the Administrator, requires such treatment or is perishable. Abandoned merchandise is sold at public auction; receipts from the auction will be applied to sale expenses, duties, fines and Customs charges, and to outstanding accounts for transport services, handling and mobilization of merchandise prior to delivery to the Customs house. The balance, if any,

reverts to the person proving within 6 months of the date of the auction his or her claim to the merchandise.

In-transit merchandise is exempt from duties and fiscal or municipal taxes regardless of origin or destination, but is subject to the payment of fees for Customs services rendered. A bond is usually required, sufficient to cover all duties, taxes, and other charges which would apply to the in-transit goods in case these were not reexported.

A reexport declaration must be presented if goods are to be reexported on a carrier different than that of arrival; the corresponding bill of lading or waybill must be attracted to the declaration. However, once goods have been declared in any of the countries and import duties have been paid, goods for reexport are subject to export duties, and import duties already paid will not be refunded.

Samples and Advertising Matter

Samples.—Under RECAUCA, when collections of samples are brought in by traveling representatives, a commercial invoice is not required, provided that a list in triplicate is presented specifying the articles, their commercial value and the reference number of title under which they are commercially known.

Generally, samples without commercial value or in such condition as to be suitable only for demonstrating the characteristics of the merchandise may enter duty-free. Samples which by their nature may be used, such as food products and medicaments, even though imported in small-size containers and for free distribution, are dutiable at the same rates as apply to commercial shipments.

Samples having commercial value may also be imported temporarily duty free under a bond, usually equivalent to the amount of applicable duties, charges, and fees. The merchandise must be removed from the country or the bond is forfeited at the end of the period of temporary importation, which varies 1-6 months depending on the country involved. Samples are subject to normal documentary requirements.

Advertising Matter.—Catalogs, pamphlets, and sheets containing instructions for the operation and maintenance of machinery and apparatus and on the use of drugs, medicines, and veterinary products are subject to an import duty of $0.03 per gross kilo. Most other printed advertising matter for food, beverages, medicines, and any other articles for sanitary uses must be approved by the Ministry of Health (see below "Advance Rulings on Classification").

Advance Rulings on Classification

In cases of new products not previously imported into Costa Rica and/or where slight difference in Customs treatment may affect significantly the level of duty imposed, American exporters can seek advance rulings on the proper classification of imported goods from the appropriate national Customs units. Individual rulings are given by: Direccion General de Aduanas, Secretaria de Hacienda, Ave. 1 y 3, Calle 14, San Jose, Costa Rica.

A request for an advance ruling should set forth: (1) a complete description of the article; (2) its principal uses; (3) the material it contains; (4) the manner in which it is made; and (5) the exporter's impression as to the section of the CACM or SITC schedules under which the product in question would be classified. If practical, samples should be submitted; otherwise, descriptive literature, catalogs, preferably with drawings or pictures, will be accepted. The trade names should be specified and the regular wholesale price, F.O.B., port of export, should be shown. This procedure can be best carried out by a local customs broker or importer.

Fines and Penalties

Contraband and fiscal fraud are defined in the legal code, and penalties for violations conform to these codes.

According to the Uniform Customs Code, any omission or falsification in the waybill, bill of lading, or consular invoice will result in a fine of between $5 and $100 (U.S.).

When goods are invoiced at a tariff classification dutiable higher than the correct one, a fine will be applied equivalent to 5 percent of the difference in customs duties. When goods are under classified, a fine will be applied equivalent for 25 percent of the different in customs duty. Fines less than $5 are dismissed, and the above-mentioned fines cannot exceed $100. If the dutiable weight or quantity declared is higher than the weight found, no penalty is applied. If the weight declared is lower than the actual weight by 10 percent of more, a fine is levied equivalent to 25 percent of the difference in duties based on the correct and incorrect weight.

Nontariff Import Controls

Exchange Controls

In August 1982, the Central Bank and the National Banking System absorbed all foreign exchange payments. Typical collection procedure for importations is as follows:

A. Customer applies to Central Bank for exact amount of foreign exchange, using only C.I.F. price or F.O.B. price on invoice.

B. Central Bank approves or denies application: either decision may take 25 to 30 days. If approved, Central Bank authorizes availability of foreign exchange and requires 100 percent deposit in colones from customer (i.e., the local importer).

C. If request for foreign exchange is approved by Central Bank, customer then brings invoice with approval to local advising bank.

D. Local bank processes both documents. If bank

has sufficient foreign exchange internally, it cables payment to remitter bank overseas and concurrently requests that Central Bank issue an equivalent amount to replenish its foreign exchange. If local bank lacks sufficient foreign exchange internally, it requests that Central Bank issue check for payment to remitter bank. Either procedure involving Central Bank is taking 45 to 60 days.

Government banks.

1. Banco Central de Costa Rica
2. Banco Nacional de Costa Rica
3. Banco Anglo Costaricense
4. Banco de Costa Rica
5. Banco Credito Agricola de Cartago

Private banks.

1. Banco Agroindustrial y de Exportaciones, S.A. (BANEX S.A.)
2. Banco Cooperativo Costaricense, R.L. (BANCOOP R.L.)
3. Banco de Santander (Costa Rica) S.A.
4. Banco del Comercio, S.A.
5. Banco de la Construccion, S.A.
6. Banco Interfin S.A.
7. Banco Internacional de Exportacion, S.A. (BIESA)
8. Banco Lyon, S.A.
9. Bank of America, S.A.
10. Banco Weeden Internacional, S.A.
11. Banco B.C.T. S.A.
12. Banco de San Jose S.A.
13. Banco de Fomento Agricola, S.A.
14. Banco de la Industria, S.A.

Import Restrictions

Import controls apply to most classes of the following commodities: firearms, ammunition and explosives; industrial or beverage alcohol or products used in the manufacture of these, seeds, plants and plant products. In addition each shipment of animals or animal products must be accompanied by a general health certificate from a veterinary official of the country of origin. Specific health certificates are required for imports of live animals, including pets. Specific health certificates must have consular legalization for shipments to Costa Rica.

Sanitary Regulations

Pharmaceutical Regulations

The Ministry of Health in Costa Rica requires that all imported or locally manufactured medications, pharmaceuticals and cosmetics be registered with the Ministry of Health, Department of Drugs, Stupefacients and Psychotropics Control, every 5 years.

All manufacturers and importers must present a request for inscription accompanied by a sample of the product. This sample will be evaluated for quality control purposes; this includes not only the contents of the product but also its presentation, labeling and other items.

Decree # 6365 of September 23, 1976 sets forth the regulations for registration.

Medicaments and cosmetics will not be allowed importation without prior authorization/registration from the Ministry. This requirement for medicaments may be waived in an emergency at the discretion of the Ministry. The registration application must be submitted an officially stamped paper. Accompanying documents must be in spanish, authenticated by a Costa Rican consul. All labels must be in Spanish and may be in one other language.

Information required for registration includes:

a. A certificate issued by the health authorities of the country of origin and legalized by a consulate, stating that the preparation enjoys unrestricted sale in that country. A certificate from a state, county or municipal health department or from any other competent authority will be acceptable.

b. Information on dosage, pharmacological properties, and qualitative and quantitative formulas must be furnished.

c. Proof must be given of the registration of the trademark.

d. Labeled samples (two) identical to those sold to the public, must be submitted.

e. Application is generally made through a representative in the country with the manufacturer's power of attorney.

The registration fee is 3,800 colones, for the first active ingredient, for each product. This fee is used to cover the cost of product analysis. In addition, 865 colones is charged for each additional active ingredient, and also 1,005 colones when a bacterial test must be done by the Ministry.

When a product is marketed in different forms (capsules, tablets, syrups) or in different doses or concentrations, each variation must be registered.

Labeling of Pharmaceuticals

At a minimum, this information must be contained on the label:

1. Name of the product
2. Name and address of the manufacturer
3. Place of origin
4. Qualitative and quantitative formula of the active ingredients
5. Registration and lot number
6. Date of production and date of expiration
7. Quantity
8. Additional pertinent information required to prevent public errors, or to preserve the product (i.e., "external use only" or "keep refrigerated")
9. Toxicity of the product and its antidote
10. Other information deemed necessary concerning special properties of the product.

The above information must be clearly printed on the label. The use of samples for promotional purposes may only be dispensed to doctors, dentists and veterinarians. Samples may not be sold and may only be distributed by accredited doctors. Advertising of medical products is strictly controlled.

Foodstuff Regulations

According to the Sanitary Code, foods and beverages entering Costa Rica must registered with the Direccion General de Sanidad Publica. Generally, a request for registration of a food or beverage must include:

a. The presentation of the application to the Bureau of Public Health. This application must contain: name and type of product; net weight and volume; name and address of the local representative; and for perishables, frozen foods, etc., a notation of expiration date for commercial sale.

b. A certificate of the sanitary officer of the country of origin which shows that the product complies with the sanitary requirements prescribed in that country for foods; that is is not a product destined for exportation only, but is consumed and sold in the country of origin; and the result of the analysis of the product. This sanitary certificate must be attested by a notary public, whose signature in turn must be authenticated by a competent authority. The complete document must also be signed by the consul of the importing country.

c. Samples of the product as it will be placed on sale and additional sets of labels must accompany the application.

d. The fees for registration and the time period in which the registration is valid are similar to those stated elsewhere under the registration of pharmaceuticals.

Labeling of Foodstuffs

The inscription on labels should be easily readable in Spanish and in such a way that it does not disappear with normal use. It is permissible to use another language simultaneously with Spanish but the text in a foreign language should not be more than 30 percent of the entire text.

This information should appear on food labels:

1. Product Name: The product name should be shown on the label in a color that stands out clearly and in large letters.
2. Products With Artificial Flavor and Color: When artificial flavors, colors or fragrances are used, these should be indicated on the principal label with letters no smaller than half of the ones used in the name of the product.
3. Imitations: If the product is an imitation, the word "imitation" should be indicated following the name of the product, in letters of the same size.
4. Natural Products: If the word "natural", "genuine" or any other similar words are used, it is compulsory to declare the origin of the material (i.e. "natural flavor, extracted from barks, stems, leaves, etc.".) The concentration, in the case of diluted products and solutions, should be no less than 10 percent of the natural product.
5. Enriched Products: If the terms "vitamins added", "enriched", "fortified", "reinforced" or similar are used, the added quantities of these substances should be indicated in the list of ingredients.
6. Lot and Manufacture Date: The identification of the lot as well as the year, month and day of manufacture should appear in an appropriate place on the container.
7. Quality Grade: The quality grade should appear directly under the name of the product. This is compulsory when official standards of quality for the product exist.
8. Composition: The list of ingredients used in the manufacturing of the product should appear on the label.
9. Declaration of Quantity Used: Declaration of the quantity used should be expressed as "net" and in units of the System of International Measures.
10. Name of the Manufacturer or Packer: The name of the manufacturing or packing firm and address (place and country) should appear in the following manner: "Manufactured by. . . ." or "Packed by. . . ." in letters no smaller than one-fourth of the ones used in the name of the product. The statement "Central American Product, Manufactured in Costa Rica" also should be clearly visible.
11. Manufacturing license: In the case of national products, the number of the license extended for the manufacturing of food products should appear. In the case of foreign products, the license of the country of origin should appear.

The National Office of Standards and Units of Measure is the organization in charge of determining any matter related to labeling.

Export Controls

Costa Rican exports must be registered with the Central Bank, mainly for statistical purposes. Further, the Government maintains export controls on some products. Exports of livestock, wood and ornamental plants require a license from the Ministry of Agriculture. Metal scrap is subject to an export license from the Ministry of Industry, Energy and Mines. Coffee exports are regulated by the "Oficina del Cafe," and sugar exports are regulated by the "Liga Agricola de la Cana de Azucar." Gold cannot be exported, and must be sold to the Central Bank at the market rate.

Assistance to Traveling Executives

Language

Spanish is the official language in Costa Rica. Many firms are accustomed to carrying out business correspondence in English but this should not be assumed. Catalogs and technical literature should be provided in careful translations.

Business Practices

Much of the business conducted in Costa Rica is based on personal relationships. Costa Rican business executives and government officials frequently place great importance on personal contacts with foreign suppliers. U.S. suppliers should be prepared to travel to Costa Rica and follow up with correspondence and telephone calls.

U.S. suppliers will quickly become aware of increased foreign competition in Costa Rica. Foreign competitors are extremely aggressive. U.S. executives interested in pursuing business in Costa Rica should approach local representatives in the same manner in which they approach prized clients in the United States. Suppliers must be prepared to explain how their products and services will complement existing products and systems. Furthermore, U.S. exporters should be flexible and tolerant in their financing and payment programs, given current economic constraints.

In view of the proximity of Costa Rica to the United States, U.S. sales personnel should travel to the country. Such travelers often are surprised at the accessibility of key decision-makers and by the openness and frankness of local buyers; appointments should be arranged in advance, and confirmed upon arrival whenever possible.

Promotional material should be in Spanish. Although many private and public officials speak and read English, many technicians and engineers do not. Costa Ricans are extremely receptive to technical presentations which are educational rather than sales oriented.

Holidays

New Year; St. Joseph's Day; Holy Thursday; Good Friday, May 1, Labor Day; September 15; Independence Day; October 12, Columbus Day; Christmas. Local holidays should be considered when planning business trips to Costa Rica.

Additional Sources of Information

Costa Rican—American Chamber of Commerce
Apartado 4946
1000 San Jose, Costa Rica
Cable: AMCHAM
Telephone: (506) 33-21-33

Direccion General de Aduanas
(General Customs Bureau)
Ministerio de Hacienda
Ave. 1-3, Calle 14
San Jose, Costa Rica
Telephone: (506) 22-25-58

Programa de Exportaciones de la Presidencia
(Program for Export Promotion/Export Free Zones)
Apartado 96
San Pedro de Montes de Oca
San Jose, Costa Rica
Telex: 2936 SOFREX
Telephone: (506) 22-58-55

I.C.T.—Instituto Costarricense de Turismo
(Costa Rican Tourism Institute)
Apartado 777
1000 San Jose, Costa Rica
Telephone: (506) 23-17-33

CENPRO—Centro para la Promocion de las Exportaciones y de las Inversiones
(Export and Investment Promotion Center)
Apartado 5418
1000 San Jose, Costa Rica
Telex: 2385
Cable: CENTRO
Telephone: (506) 21-71-66

CINDE—Coalicion Costarricense de Iniciativa de Desarrollo
Apartado 5418
1000 San Jose, Costa Rica
Telex: 3514 CINDE CR
Telephone: (506) 33-17-11

O.P.I.C.—Overseas Private Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527
Telephone: (202) 457-7200

American Embassy
U.S. and Foreign Commercial Service
Apartado 10053
1000 San Jose, Costa Rica
Telephone: (506) 33-11-55

Costa Rican Investment and Trade Promotion Office
235 Peachtree Street—Suite 1617
Altanta, Georgia 30303
Telephone: (404) 223-5708
Telex: 154199 CINDE-UT

Costa Rica Desk Officer
Office of International Economic Policy/ITA
U.S. Department of Commerce
Washington, D.C. 20230
Telephone: (202) 377-2527

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